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7	Attorneys for Complainant		
8	BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT		
9	OF THE STATE OF CALIFORNIA		
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11	In the Matter of:	CRMLA LICENSE NO.: 413-0571	
12)		
13	THE COMMISSIONER OF BUSINESS) OVERSIGHT,)	STATEMENT OF FACTS IN SUPPORT OF	
14	Complement)	ORDER TO DISCONTINUE VIOLATIONS PURSUANT TO FINANCIAL CODE	
15	Complainant,)	SECTION 50321 AND NOTICE OF INTENT	
	v.)	TO MAKE ORDER FINAL	
16	UNITED MORTGAGE CORP. authorized to do)		
17	business in California as UMC MORTGAGE) COMPANY,)		
18)		
19	Respondent.		
20	The Complainant, the Commissioner of Business Oversight (Commissioner) is informed and		
21	believes and based upon such information and belief, alleges and charges as follows:		
22	I.		
23	<u>Introduction</u>		
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25	1. United Mortgage Corp. authorized to do business in California as UMC Mortgage		
26	Company (UMC) is licensed by the Commissioner of Business Oversight (Commissioner) as a		
27	residential mortgage lender and servicer pursuant to the California Residential Mortgage Lending		
28	Act ("CRMLA") (Fin. Code § 50000 et seq.). UM	IC has its principal place of business located at 25	
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STATEMENT OF FACTS IN SUPPORT OF ORDER TO DISCONTINUE VIOLATIONS PURSUANT TO FINANCIAL CODE SECTION 50321 AND NOTICE OF INTENT TO MAKE ORDER FINAL

Melville Park Road, Suite 100, Melville, New York 11747. UMC currently has 7 branch office locations under its CRMLA license located in California and elsewhere. UMC employs mortgage loan originators in its CRMLA business.

II.

Trust Accounting Violations

- 2. On or about February 22, 2018, the Commissioner commenced a regulatory examination of the books and records of UMC under the CRMLA (2018 regulatory examination). The 2018 regulatory examination disclosed that UMC (i) was failing to properly reconcile certain of its trust accounts in violation of Financial Code section 50314 and California Code of Regulations, title 10, section 1950.314.1; (ii) had caused a debit balance (shortage) to exist in a borrower impound account in violation of California Code of Regulations, title 10, section 1950.314.6; and (iii) had a shortage in three of its trust accounts violation of California Code of Regulations, title 10, section 1950.314.6.
- 3. In 2018, UMC maintained the relevant trust accounts at JP Morgan Chase Bank. The trust account ending in 6860 was the trust account for California taxes and insurance (CA Escrow) trust funds. However, UMC was also depositing California borrower tax and insurance funds into the trust account ending in 6246 (CA Escrow 2). The trust account ending in 3993 was the trust account for mortgage insurance premium (MIP) trust funds, but UMC was also depositing VA Funding Fees into trust account ending in 3993. The trust funds held in the JP Morgan Chase Trust Accounts are to be held until time for disbursement to the tax authority and/or insurance company.
- 4. UMC maintains only one liability subsidiary ledger for CA Escrow and CA Escrow 2 trust monies (General Ledger GL # 2560) even though UMC deposits the trust funds into two separate bank accounts and maintains two separate asset ledgers (GL #0991 for CA Escrow and GL #1007 for CA Escrow 2) for these trust funds.
- 5. UMC maintains only one asset general ledger for MIP and VA trust funds (GL # 1005) even though it maintains two separate liability subsidiary ledgers for MIP and VA trust funds (GL #2570 and GL #2580). As stated above, UMC deposits both MIP and VA trust funds into the trust account ending in 3993.

6. A review of the trust account reconciliations for February 28, 2018 disclosed that			
UMC had failed to properly reconcile the JP Morgan Chase Trust Accounts for the period ended			
February 28, 2018 as the MIP trust account had a shortage of \$70,733.00 and the CA Escrow and			
CA Escrow 2 trust accounts had a combined shortage of \$194,095.26. Trust account shortages			
indicate that there are insufficient funds available to pay all the escrow impound liabilities.			
California Code of Regulations, title 10, section 1950.314.6 prohibits debit balances in any loan of			
servicing account maintained by CRMLA licensees.			

7. Additionally, a review of the borrower level subsidiary ledgers with the trial balance disclosed a debit balance of \$475.49 in a borrower account for the CA Escrow and CA Escrow 2 trust funds; GL #2560. Pursuant to California Code of Regulations, Title 10, section 1950.314.1, trust account ledgers are to be reconciled weekly with the liability controlling account (trial balance).

III.

Improper Disclosures

- 8. The 2018 regulatory examination further disclosed that in all 18 funded loans reviewed, UMC was providing a California Financing Law Statement of Loan to borrowers incorrectly stating that the loans had been made under the California Financing Law (CFL) in violation of Financial Code section 50314. The loans reviewed were made under the CRMLA. Moreover, UMC does not hold a license under the CFL.
- 9. The Commissioner had found that UMC was distributing incorrect loan disclosures during the last regulatory examination under the CRMLA that commenced in July 7, 2014. Based upon the findings of the 2014 regulatory examination, the Commissioner instructed UMC to implement such procedures as necessary to ensure that incorrect disclosures were not being provided to borrowers.

IV.

Conclusion

10. By reason of the foregoing, United Mortgage Corp. authorized to do business in California as UMC Mortgage Company has violated Financial Code sections 50202, subdivision (a) and 50314 and California Code of Regulations, title 10, sections 1950.314.1 and 1950.314.6.

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11. Financial Code section 50321 provides in pertinent part:

If, after investigation, the commissioner has reasonable grounds to believe that any licensee has violated its articles of incorporation or any law or rule binding upon it, the commissioner shall, by written order addressed to the licensee, direct the discontinuance of the violation. The order shall be effective immediately, but shall not become final except in accordance with the provisions of Section 50323.

12. Financial Code section 50323 provides:

- (a) No order issued pursuant to Section 50321or 50322 may become final except after notice to the affected licensee of the commissioner's intention to make the order final and of the reasons for the finding. The commissioner shall also notify the licensee that upon receiving a request the matter will be set for hearing to commence within 15 business days after receipt. The licensee may consent to have the hearing commenced at a later date. If no hearing is requested within 30 days after the mailing or service of the required notice, and none is ordered by the commissioner, the order may become final without hearing and the licensee shall immediately discontinue the practices named in the order. If a hearing is requested or ordered, it shall be held in accordance with the provisions of the administrative Procedure Act (Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code), and the commissioner shall have all the powers granted under that act. If, upon the hearing, it appears to the commissioner that the licensee is conducting business in an unsafe and injurious manner or is violating its articles of incorporation or any law of this state, or any rule binding upon it, the commissioner shall make the order of discontinuance final and the licensee shall immediately discontinue the practices named in the order.
- (b) The licensee has 10 days after an order is made final to commence an action to restrain enforcement of the order. If enforcement of the order is not enjoined within 10 days by the court in which the action is brought, the licensee shall comply with the order.

WHEREFORE, good cause showing, the Commissioner is issuing an Order to Discontinue Violations Pursuant to Financial Code Section 50321 and notifying United Mortgage Corp.

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authorized to do business in California as UMC Mortgage Company of the Commissioner's intention to make the order final. Dated: October 29, 2018 Los Angeles, CA JAN LYNN OWEN Commissioner of Business Oversight By_ Judy L. Hartley Senior Counsel **Enforcement Division** -5-